



U.S.-PANAMA TRADE PROMOTION AGREEMENT

Kentucky Farmers Will Benefit

September 2011

The U.S. agricultural sector has a great deal to gain from the pending U.S.-Panama Trade Promotion Agreement, known as the Panama TPA. The agreement will immediately eliminate duties on nearly 50 percent of current U.S. exports and gives U.S. exporters improved access to the Panamanian market for many products that have been highly protected. U.S. agricultural exports to Panama in 2010 exceeded \$450 million.

The Panama TPA agreement eliminates tariffs and other barriers on most agricultural products, increasing export opportunities for a range of Kentucky's agricultural products, including poultry, beef, and feed grains. Kentucky's agricultural exports to all countries, estimated at \$1.4 billion in 2010, supported about 11,800 jobs, on and off the farm. These export sales make an important contribution to the Kentucky farm economy, which had total cash receipts of \$4.4 billion in 2010.

Poultry and Eggs

- The 260-percent tariff currently applied to chicken cuts will be eliminated immediately for mechanically deboned chicken, within 5 years for wings, and within 10 years for other chicken cuts except leg quarters.
- For chicken leg quarters, Panama will provide immediate duty-free access within a preferential tariff-rate quota (TRQ) that starts at 660 metric tons and grows 10 percent annually. The 260-percent over-quota tariff will be eliminated in 18 years.
- U.S. poultry exporters will continue to have access to the global 756-ton TRQ for chicken cuts that is part of Panama's World Trade Organization (WTO) commitments.
- Panama will immediately eliminate its 15-percent duties on turkey meat for frozen whole turkeys and most frozen turkey cuts. The 15-percent tariffs on processed turkey and chicken will be eliminated within 5 years.
- Panama has already implemented a December 2006 bilateral agreement with the United States on sanitary/phytosanitary measures (SPS), recognizing the equivalence of the U.S. meat inspection system and thereby allowing U.S. inspectors to certify poultry for export to Panama without having each facility and shipment inspected by Panamanian authorities.

Beef

- Panama will immediately eliminate its 30-percent duty on the products most important to the U.S. beef industry – prime and choice cuts. Panama's tariffs on other cuts of beef will be phased out over 15 years.
- The 10-percent tariff on beef tongues and livers will be eliminated in 5 years, and the 15-percent tariff on other edible offal will be eliminated immediately.
- Panama has already implemented a December 2006 bilateral agreement with the United States on SPS, reopening its market to U.S. beef by bringing its import requirements related to bovine spongiform encephalopathy into compliance with international standards.
- Panama also accepted the equivalence of the U.S. meat inspection system, which allows U.S. inspectors to certify beef for export to Panama without having each facility and shipment inspected by Panamanian authorities.

Corn

- Panama will provide immediate duty-free access for corn with a 298,700-ton TRQ that will grow 3 percent annually. The 40-percent over-quota tariff will be eliminated in 15 years.
- The current zero-tariff treatment for crude corn oil will be locked in place immediately. For refined corn oil, Panama will provide immediate duty-free access within a 368-ton TRQ that grows each year by 5 percent. The 30-percent over-quota tariff on refined corn oil will be phased out within 10 years.

Soybeans and Products

- Panama's current zero-tariff treatment for soybeans and soybean meal will be locked in place immediately upon implementation of the agreement.
- The current zero-tariff treatment for crude soybean oil will also be locked in place immediately, while the 20-percent tariff on refined soybean oil will be phased out in 15 years.

Tobacco

- Panama's currently applied tariff on tobacco is zero. Under the Panama TPA, Panama will immediately lock in this duty-free treatment. Tobacco products will enter duty free immediately upon implementation of the agreement.
- Under the Panama TPA, the United States will phase-out the WTO over-quota tariff on tobacco over 15 years, with no cuts during the first five years, and will continue to provide zero-duty treatment that Panama currently receives under the Caribbean Basin Initiative (CBI) on the in-quota tariff.

Distilled Spirits

- Panama's tariffs on distilled spirits range from 10 to 15 percent, although its WTO commitments allow rates as high as 86 percent on some of these products. Under the Panama TPA, Panama's tariffs on all distilled spirits will be eliminated immediately.

Kentucky		
Principal Agricultural Products and Exports, 2010		
Product	Cash Receipts (2010 calendar year)	Exports (2010 fiscal year)
Total	\$4.4 billion	\$1.4 billion
Poultry and Egg Products	\$911 million	\$114 million
Cattle and Beef	\$616 million	\$44 million
Feed Grains	\$604 million	\$134 million
Soybeans and Products	\$583 million	\$314 million
Tobacco	\$331 million	\$238 million
	Source: USDA-NASS	Source: USDA-ERS

For questions about the U.S.-Panama Trade Promotion Agreement and its impact on U.S. agriculture, please contact FAS Public Affairs at (202) 720-7115 or LPA@fas.usda.gov.